INTERNATIONAL UNION
OF RAILWAYS

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Mr. Roelof van Ark
Chief Executive Officer
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925 L Street – Suite 1425
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Paris, 8 February 2011

Dear Mr. van Ark,

First of all we apologise for our late answer to your letter relating to the development prospects for high speed rail in the USA, in particular California, and to the experience of other countries – mainly Europe and Japan – in operating high speed trains.

Incidentally, you informed us that certain individuals opposed to the introduction of high speed rail in the United States recently circulated a report in California whose intention was to discredit the feasibility and in particular the economic viability of this type of transport.

You also mention that this report refers to statements apparently made by UIC representatives – in particular the UIC High Speed Director – that "only two segments of two high speed rail systems in Europe and Japan break even".

This quote, clearly taken out of context, gives the overriding impression that high speed rail systems cannot be profitable as a matter of course and therefore require "Operating Subsidies" to break even.

These remarks are incorrect and biased; they neither reflect how business models for high speed are applied in Europe and Japan, nor UIC's overall stance on the matter. The remarks are clearly part of a campaign to discredit railway transport to benefit other interests.

This is why I am enclosing the following clarification on behalf of UIC, which you may of course use and circulate among your contacts in the United States with reference to UIC.

With best regards,

Jean-Pierre LOUBINOUX

Copy to:
Dr. Michael Clausecker,
General Director UNIFE

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Official stance of UIC, the worldwide railway association, on the profitability of the high speed rail system

UIC Position paper concerning High speed

UIC has become aware of a document that has been circulated in the United States, particularly in California, lobbying against the introduction of a high speed rail system in the United States. According to the information we have received, one of the arguments advanced by opponents of the introduction of high speed is the non-profitability of this transport system and the necessary consequence thereof: the payment of “Operating Subsidies” by public authorities, which amounts to a burden for taxpayers and society.

This document seemingly also quotes statements allegedly made by UIC’s High Speed Director, according to whom “only two segments of two high speed rail systems in Europe and Japan break even”.

As the worldwide railway association whose members include, specifically, all the companies operating high speed services around the world, the International Union of Railways (UIC), cannot allow such untruths to be circulated, nor can it permit the continued use of incorrect arguments against the introduction of a mode of transport recognised as one of the most efficient, cost effective and generally beneficial to society.

Further, UIC cannot allow remarks made by its directors to be repeated out of context and reproduced incorrectly with regard to presentations delivered at seminars and conferences.

High Speed Rail is profitable as a transport system in both Europe and Japan

The most common economic models currently used in Europe and Japan when introducing and operating high speed rail services **consider two types of cost:**

-Operating costs that will mainly be borne by operating companies (costs to be paid from farebox revenues); these costs will include operating and maintenance costs, amortisation of rolling stock, maintenance depots, payment of track access fees by operators, energy costs, etc.

-Costs borne by the public authorities as the owner of rail infrastructure (as for other public infrastructure, highways or public airports). Moreover, according to the European legislation passed under the EU’s policy of rail liberalisation, rail infrastructure must be managed separately from train operations (physical/legal separation or at least organisational/financial separation). European rail
infrastructure, including high speed rail infrastructure, has to be open to all certified operating companies, incumbent railway companies as well as new entrants.

Generally speaking Operating Costs can be covered by farebox revenues making the operations of HS systems an attractive proposition for private investors.

The public authorities/society generally bear the costs of investing in new infrastructure, constructing and maintaining the infrastructure and related equipment such as safety, control-command and signalling, etc. The payment of track access fees ,depending on their level can cover operating and maintenance costs of such infrastructure.

Economic calculations for infrastructure projects in Europe include all the socioeconomic benefits of future rail infrastructure and its contribution to society (particularly in terms of environmental protection and sustainability),which can shoulder the cost of the infrastructure.

When evaluating such projects, economic calculations by European banks (e.g. the European Investment Bank) also systematically include the contribution of future rail infrastructure to improving citizens' lives. The projects also quantify advantages such as reducing road congestion and road accidents, reducing air pollution and CO2 emissions, optimising land use (compared to more space-consuming road infrastructure), land planning, improving inter-regional links, etc.

To summarise, all high speed rail projects developed in Europe have to be considered profitable as a system (combining profitability for the operating company and profitability for the society to which the state-owned rail infrastructure belongs).

The situation is slightly different in Japan as the state first builds the rail infrastructure (as a contribution to society, in view of the overall advantages of rail transportation) and then transfers ownership to the rail operating company, which subsequently has to bear all the various costs already mentioned with regard to Europe (train operating costs as well as infrastructure operating and maintenance costs).

Two high speed lines cover all operating and infrastructure costs

The document circulated in the United States also states the following argument, quoting UIC: *"The Director of High speed rail at the International Union of Railways (UIC) stated that only two segments of two high speed rail systems in Europe and Japan break even".*

This wording has been reproduced in a resolutely (and intentionally?) incorrect manner.
It could only have been said that two high speed line sections, the Paris-Lyon TGV route in France and the Tokyo-Osaka route in Japan, have fully covered both their infrastructure and operating costs after 15 years of service. The idea concerns covering all of the various types of cost and not the profitability of the "high speed rail system" as cited in the misquotation.

As stated above, the profitability of high speed is not assessed by adding infrastructure costs to operational costs, line section by line section, but from the perspective of a high speed rail system serving both the passenger transportation market and society – the citizens – as a whole. The highly positive net result of all these factors taken together is the reason why high speed systems continue to be successfully rolled out in Europe and Asia (Japan, China, Taiwan), and why they soon will be in North Africa, the Middle-East and, one sincerely hopes, on the American continent.